FINANCIAL STATEMENTS

Taconic Offshore Fund 1.5 Ltd.
Year Ended December 31, 2011
With Report of Independent Auditors

Ernst & Young Ltd.

ERNST & YOUNG

Taconic Offshore Fund 1.5 Ltd.

Financial Statements

Year Ended December 31, 2011

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Financial Statements of Taconic Master Fund 1.5 L.P.

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
Cayman Islands
Tel: + 1 345 949 8444
Fax: + 1 345 949 8529
www.ey.com

Report of Independent Auditors

The Board of Directors
Taconic Offshore Fund 1.5 Ltd.

We have audited the accompanying statement of assets and liabilities of Taconic Offshore Fund 1.5 Ltd. (the "Fund") as of December 31, 2011, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taconic Offshore Fund 1.5 Ltd. at December 31, 2011, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young Ltd.

April 24, 2012

A member firm of Ernst & Young Global Limited

Taconic Offshore Fund 1.5 Ltd.

Statement of Assets and Liabilities

December 31, 2011
(Expressed in U.S. dollars)

Assets	
Cash	$ 2,665,537
Investment in Taconic Master Fund 1.5 L.P., at fair value	710,748,483
Redemption receivable from Taconic Master Fund 1.5 L.P.	49,491,058
Total assets	762,905,078
Liabilities	
Subscriptions received in advance	2,590,627
Redemptions payable	49,565,968
Total liabilities	52,156,595
Net assets (*Note 4*)	$ 710,748,483

See accompanying notes and attached financial statements of Taconic Master Fund 1.5 L.P.

Taconic Offshore Fund 1.5 Ltd.

Statement of Operations

Year Ended December 31, 2011
(Expressed in U.S. dollars)

Investment income and expenses allocated from Taconic Master Fund 1.5 L.P.		
Investment income:		
Interest income (net of foreign withholding taxes of $78,957)	$	43,036,949
Dividend income (net of foreign withholding taxes of $1,219,547)		3,488,842
Total investment income		46,525,791
Expenses:		
Management fee		12,987,440
Interest expense		10,041,378
Dividend expense		3,898,532
Professional fees and other expenses		2,504,231
Total expenses		29,431,581
Net investment income allocated from Taconic Master Fund 1.5 L.P.		17,094,210
Net realized and change in unrealized loss on investments and foreign exchange transactions and derivatives allocated from Taconic Master Fund 1.5 L.P.		
Net realized loss on investments, foreign exchange transactions and derivatives		(18,069,532)
Net change in unrealized depreciation on investments, foreign exchange transactions and derivatives		(17,846,051)
Total net realized and change in unrealized loss on investments, foreign exchange transactions and derivatives allocated from Taconic Master Fund 1.5 L.P.		(35,915,583)
Net decrease in net assets resulting from operations before performance allocation		(18,821,373)
Performance allocation allocated from Taconic Master Fund 1.5 L.P.		(972,037)
Net decrease in net assets resulting from operations after performance allocation	$	(19,793,410)

See accompanying notes and attached financial statements of Taconic Master Fund 1.5 L.P.

Taconic Offshore Fund 1.5 Ltd.

Statement of Changes in Net Assets

Year Ended December 31, 2011
(Expressed in U.S. dollars)

Net decrease in net assets resulting from operations allocated from Taconic Master Fund 1.5 L.P.		
Net realized loss on investments, foreign exchange transactions and derivatives	$	(18,069,532)
Net change in unrealized depreciation on investments, foreign exchange transactions and derivatives		(17,846,051)
Net investment income		17,094,210
Performance allocation allocated from Taconic Master Fund 1.5 L.P.		(972,037)
Net decrease in net assets resulting from operations		(19,793,410)
Net decrease in net assets resulting from capital share transactions		
Subscriptions:		
Class A		114,471,811
Class B		31,157
Total subscriptions		114,502,968
Redemptions:		
Class A		(376,767,678)
Class B		(1,421,657)
Total redemptions		(378,189,335)
Redemption fees		9,929
Net decrease in net assets resulting from capital share transactions		(263,676,438)
Total decrease in net assets		(283,469,848)
Net assets, beginning of year		994,218,331
Net assets, end of year	$	710,748,483

See accompanying notes and attached financial statements of Taconic Master Fund 1.5 L.P.

Taconic Offshore Fund 1.5 Ltd.

Statement of Cash Flows

Year Ended December 31, 2011
(Expressed in U.S. dollars)

Cash flows from operating activities		
Net decrease in net assets resulting from operations	$	(19,793,410)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:		
Decrease in investment in Taconic Master Fund 1.5 L.P.		283,469,848
Increase in redemption receivable from Taconic Master Fund 1.5 L.P.		(28,989,218)
Net cash provided by operating activities		234,687,220
Cash flows from financing activities		
Subscriptions, including subscriptions received in advance		102,421,798
Redemptions, net of redemption fees		(343,567,415)
Net cash used in financing activities		(241,145,617)
Net change in cash and cash equivalents		(6,458,397)
Cash and cash equivalents, beginning of year		9,123,934
Cash, end of year	$	2,665,537
Supplemental disclosure of cash flow information		
Subscriptions due to change in beneficial ownership	$	5,622,617
Redemptions due to change in beneficial ownership	$	5,622,617

See accompanying notes and attached financial statements of Taconic Master Fund 1.5 L.P.

Taconic Offshore Fund 1.5 Ltd.

Notes to Financial Statements

December 31, 2011
(Expressed in U.S. dollars)

1. Organization and Business

Taconic Offshore Fund 1.5 Ltd. (the "Fund") is an exempted company incorporated on August 5, 2003 under the provisions of The Companies Law (2010 Revision) of the Cayman Islands. The Fund commenced operations on September 1, 2003 and is registered under the Cayman Islands Mutual Funds Law. The investment manager of the Fund is Taconic Capital Advisors LP (the "Investment Manager"), a Delaware limited partnership. The United Kingdom ("U.K.") investment manager of the Fund is Taconic Capital Advisors U.K. LLP, an English limited liability partnership regulated by the U.K. Financial Services Authority (the "U.K. Investment Manager", together with Taconic Capital Advisors LP, the "Investment Managers"). The Investment Managers are registered with the U.S. Securities and Exchange Commission as registered investment advisors under the Investment Advisers Act of 1940. The U.K. Investment Manager has been appointed to act alongside and in conjunction with the Investment Manager, subject to the supervision of the Board of Directors (the "Directors") and the Investment Manager. The Investment Managers are responsible for the investment of the Fund's assets, subject to the policies and control of the Directors and in accordance with the objectives and policies of the Fund as set forth in the investment management agreements (the "Investment Management Agreements"). The Fund was organized primarily to engage in event-driven investing.

The Fund invests substantially all of its net assets in Taconic Master Fund 1.5 L.P., an exempted limited partnership formed under the laws of the Cayman Islands (the "Master Fund") which, in turn, conducts all investment and trading activities on behalf of the Fund. All revenues and expenses of the Fund are remitted to, or reimbursed by, the Master Fund and treated as revenues and expenses of the Master Fund. Taconic Capital Partners LLC, an affiliate of the Investment Managers, is the General Partner to the Master Fund.

The Fund has entered into an administration agreement effective March 1, 2005 with International Fund Services (Ireland) Limited, an Irish company (the "Administrator"). Under the terms of the agreement, the Administrator performs fund accounting and general administrative tasks for the Fund and acts as the Fund's registrar and transfer agent.

See attached financial statements of Taconic Master Fund 1.5 L.P.

2. Summary of Significant Accounting Principles

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and are stated in U.S. dollars. The accounts are maintained on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable; however, actual results could differ from these estimates.

Cash

At December 31, 2011, the Fund maintained all of its cash in an account with one U.S. financial institution.

Income Taxes

The Fund is treated as a foreign corporation for U.S. Federal income tax purposes. The Fund is not subject to Cayman Islands income taxes and is generally not expected to be subject to U.S. Federal income tax. Certain income derived by the Fund may be subject to withholding taxes imposed by the U.S. or other countries. Such income is reported net of withholding taxes on the accompanying statement of operations.

The Fund's management evaluates tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet a more-likely-than-not threshold would be recorded as a tax expense. As of and during the year ended December 31, 2011, the Fund did not have any liabilities or expenses for any unrecognized tax positions. The Fund recognizes interest and penalties, if any, related to unrecognized tax positions as income tax expense on the statement of operations. During the year, the Fund did not incur any interest or penalties.

See attached financial statements of Taconic Master Fund 1.5 L.P.

2. Summary of Significant Accounting Principles (continued)

Fair Value of Financial Instruments

The fair value of the Fund's assets and liabilities which qualify as financial instruments approximates the carrying amounts presented in the statement of assets and liabilities.

3. Investment

The Fund's investment in the Master Fund is valued at fair value, which is represented by the Fund's proportionate interest in the partners' capital of the Master Fund. The percentage of the Master Fund owned by the Fund at December 31, 2011 was approximately 96.55%. The performance of the Fund is directly affected by the performance of the Master Fund and is subject to the same risks to which the Master Fund is subject.

The valuation of investments held by the Master Fund is discussed in the notes to the Master Fund's financial statements. Attached are the financial statements of the Master Fund, which are an integral part of these financial statements. The Fund records its proportionate share of the Master Fund's income, expenses, and realized and unrealized gains and losses.

4. Share Capital and Net Assets

The Fund's authorized capital is made up of 5,000,000 ordinary shares with a par value of U.S. $0.01 per share. In accordance with the Articles of Association, the Directors may create separate classes of shares with differing rights and restrictions (each a "Class") and may create within each Class separate series of shares (each a "Series"). Each Series will be offered at an initial purchase price of $1,000 per share.

The Fund has issued Class A and Class B shares and has authorized the issuance of Class C shares. The Fund also issues additional classes of shares ("Side Pocket" or "Class SP" shares) in separate series to Class A, Class B and Class C shareholders on the first business day of the month in which an investment by the Master Fund is designated as a Side Pocket Investment. Side Pocket Investments are generally an investment made by the Master Fund which is deemed to be illiquid and lack a readily ascertainable market value, along with corresponding hedge positions, if any.

See attached financial statements of Taconic Master Fund 1.5 L.P.

4. Share Capital and Net Assets (continued)

As of December 31, 2011, the Fund has Class A, Class B, and Class SP shares outstanding. Each series of each class is designated as to the shareholder's ability to participate in gains and losses associated with New Issues purchased by the Master Fund, namely shareholders who have elected not to participate ("NP"), shareholders who are restricted persons ("R") and shareholders who are not subject to any restriction ("NR"). A New Issue is defined by the Financial Industry Regulatory Authority ("FINRA") as any initial public offering of equity securities ("New Issues"). Class A, Class B and Class C shares are voting shares with substantially similar rights and privileges. Class SP shares are voting shares, with different liquidity provisions than Class A, Class B and Class C.

Each Class of shares only has an interest in the assets of the Fund properly attributable to such Class of shares. The net profits or net losses for any fiscal period will be allocated to each Class of shares and to each respective Series thereof in accordance with their relative NAVs at the end of each fiscal period and in accordance with the Fund's Confidential Private Offering Memorandum, revised as of December 1, 2010 (the "Offering Memorandum").

See attached financial statements of Taconic Master Fund 1.5 L.P.

4. Share Capital and Net Assets (continued)

As of December 31, 2011, the shares issued and the NAV per share for each Series of all Classes outstanding are presented below:

Series	Shares	NAV/Share	Series	Shares	NAV/Share
Series 1-A	15,350.42	$ 1,931.56	Series 1-B-R	2,496.80	$ 2,565.10
Series 1-A-NR	269,557.32	$ 1,931.87	Series 2-B-R	5.05	$ 988.07
Series 1-A-R	24,919.71	$ 1,931.81	Series 3-B-R	4.75	$ 973.20
Series 2-A	1,005.00	$ 973.33	Series 4-B-R	11.49	$ 963.57
Series 2-A-NR	7,265.56	$ 973.36	Series 5-B-R	5.12	$ 960.43
Series 3-A	475.00	$ 959.90	Series 6-B-R	1.09	$ 998.56
Series 3-A-NR	24,613.78	$ 959.90	Series 1-SP2-A	3,357.69	$ -
Series 4-A	180.00	$ 950.38	Series 1-SP2-A-NR	6,234.92	$ -
Series 4-A-NR	16,736.45	$ 950.38	Series 1-SP2-A-R	1,358.40	$ -
Series 5-A	150.00	$ 952.06	Series 1001-SP2-A	234.24	$ -
Series 5-A-NR	12,253.62	$ 952.75	Series 1001-SP2-A-NR	45.62	$ -
Series 6-A	2,000.00	$ 959.25	Series 1001-SP2-A-R	13.41	$ -
Series 6-A-NR	11,297.00	$ 949.62	Series 1002-SP2-A-NR	426.64	$ -
Series 7-A	150.00	$ 975.05	Series 1002-SP2-A-R	156.84	$ -
Series 7-A-NR	5,806.45	$ 952.06	Series 1003-SP2-A	296.28	$ -
Series 8-A	1,730.10	$ 993.58	Series 1003-SP2-A-R	69.38	$ -
Series 8-A-NR	2,413.00	$ 959.25	Series 1004-SP2-A	123.18	$ -
Series 9-A	810.06	$ 1,931.87	Series 1005-SP2-A	166.23	$ -
Series 9-A-NR	2,700.00	$ 975.05	Series 1006-SP2-A	46.20	$ -
Series 10-A	300.00	$ 997.78	Series 1-SP2-B-R	71.49	$ -
Series 10-A-NR	4,800.00	$ 993.58			
Series 11-A-NR	1,000.00	$ 959.25			
Series 12-A-NR	7,700.00	$ 997.78			
Series 13-A-NR	14.95	$ 1,166.06			
Series 14-A-NR	1,626.85	$ 1,563.71			
Series 15-A-NR	2,374.43	$ 1,232.33			

See attached financial statements of Taconic Master Fund 1.5 L.P.

4. Share Capital and Net Assets (continued)

After the end of each fiscal period, each Series of each Class that does not have any associated loss carry forward or associated Class SP shares is consolidated into the first available Series of that Class that does not have any associated loss carry forward or associated Class SP shares by redeeming without notice each Share of the Series of that Class at its then-current NAV and applying the redemption proceeds to purchase shares in such first available Series of that Class at their then-current NAV.

Share transactions for the year ended December 31, 2011 are summarized in the following table:

	Shares Beginning of Year	Shares Exchanged	Shares Issued	Shares Redeemed	Shares End of Year
Class A Shares	777,109.75	(280,161.12)	112,988.38	(192,707.31)	417,229.70
Class SP – A Shares	12,529.03	-	-	-	12,529.03
Class B Shares	4,773.99	(1,724.73)	31.16	(556.12)	2,524.30
Class SP – B Shares	71.49	-	-	-	71.49

5. Subscriptions and Redemptions

Subscriptions for Class A, Class B and Class C shares may be made on a monthly basis (although Class C shares may only be subscribed for by a shareholder who has previously been issued Class C shares under the terms of the Offering Memorandum). The minimum subscription for each investor is $1,000,000 subject to reduction at the discretion of the Directors. With respect to each subscription of Class A, Class B and Class C shares, the shareholders has the right to redeem all or a portion of such subscribed shares subject to the provisions of the Offering Memorandum governing the various "Anniversary Redemption Dates" and redemption fees, upon receipt by the Fund of at least sixty days' prior written notice for Class A shares and Class C shares and at least eighty days' prior written notice for Class B shares, on the business day immediately preceding each successive "Anniversary Redemption Dates" of such subscription.

5. Subscriptions and Redemptions (continued)

With respect to Class SP shares, Class SP shares may not be voluntarily redeemed by a holder thereof. Class SP shares will only be redeemed upon a liquidity event or deemed liquidity event of the Side Pocket Investment, as determined by the Investment Managers, by way of a conversion of such Class SP shares to Class A, Class B or Class C shares, if the holders of such Class SP shares are also holders of Class A, Class B or Class C shares at a NAV equal to the net realized proceeds of such liquidated Side Pocket Investment. If a holder of such Class SP shares does not own any Class A, Class B or Class C shares at the time of a liquidity event or deemed liquidity event, then such holder will receive payment in cash in respect to such Class SP shares after payment of any unpaid applicable fees.

6. Related Party Transactions

Directors

The Directors include one member who is an employee of the Investment Manager.

7. Indemnifications

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. Therefore, the Fund has not accrued any liability in connection with such indemnifications.

See attached financial statements of Taconic Master Fund 1.5 L.P.

8. Financial Highlights

The following represents the per share information, the ratios to average net assets and other supplemental information for the year ended December 31, 2011:

	Class A Series 1	Class A Series 1R	Class A Series 1NR	Class B Series 1R
Per share operating performance:				
Net asset value per share, beginning of year	$ 1,984.48	$ 1,984.69	$ 1,984.75	$ 2,596.06
Income from investment operations:				
Net investment income	27.00	38.93	38.43	98.12
Net realized and change in unrealized loss on investments, foreign exchange transactions and derivatives	(79.94)	(91.83)	(91.33)	(129.11)
Net decrease in net assets resulting from operations before performance allocation	(52.94)	(52.90)	(52.90)	(30.99)
Performance allocation	-	-	-	-
Net decrease in net assets resulting from operations	(52.94)	(52.90)	(52.90)	(30.99)
Redemption fees	0.02	0.02	0.02	0.03
Net asset value per share, end of year	$ 1,931.56	$ 1,931.81	$ 1,931.87	$ 2,565.10
Total return:				
Total return before performance allocation	(2.67%)	(2.66%)	(2.66%)	(1.19%)
Performance allocation	-	-	-	-
Total return after performance allocation	(2.67%)	(2.66%)	(2.66%)	(1.19%)
Ratios to average net assets:				
Net investment income before performance allocation	1.36%	1.96%	1.94%	3.75%
Performance allocation	-	-	-	-
Net investment income after performance allocation	1.36%	1.96%	1.94%	3.75%
Expenses before performance allocation	3.63%	3.67%	3.66%	1.99%
Performance allocation	-	-	-	-
Total expenses and performance allocation	3.63%	3.67%	3.66%	1.99%

See attached financial statements of Taconic Master Fund 1.5 L.P.

8. Financial Highlights (continued)

The per share operating performance, ratios and total return calculations are for the oldest Series of shares of each Class outstanding ("base series"). Total return is calculated on a monthly compounded basis. The computation of such ratios and total return, which are based on the amount of income and expenses allocated to an individual investor's shares, may vary from the amounts above based on the timing of share transactions. The per share operating performance and net investment income (loss) and expense ratios are computed based upon the weighted average base series shares of each Class outstanding and weighted average net assets attributed to the base series shares of each Class outstanding, respectively, for the year ended December 31, 2011.

9. Subsequent Events

From January 1, 2012 through April 24, 2012, the Fund recorded subscriptions of approximately $3.8 million, which includes subscriptions received in advance of approximately $2.6 million, and recorded redemptions of approximately $107.7 million. Management has evaluated the effect of subsequent events through April 24, 2012 which is the date the financial statements were available to be issued. Additionally, the Fund has received requests for future subscriptions and redemptions beyond April 24, 2012 which approximate $3.4 million and $ 24.9 million, respectively. The final amounts are subject to change and are based on information available at this time.

See attached financial statements of Taconic Master Fund 1.5 L.P.